

Thrift Savings Plan Open Season Underway Now

Sailors who want to begin investing for their future in the Thrift Savings Plan (TSP) can sign up during the open season, which is ongoing through July 31. Those already in the plan can increase their contributions up to the allowable level.

TSP works much like the civilian 401(K) savings plan; pre-tax dollars are invested to provide retirement monies for Sailors. Taxes are deferred on TSP contributions, meaning no federal (and in most cases, state) income taxes are paid on contributions or earnings until the money is withdrawn.

Contributions to TSP can range from as little as 1 percent to 7 percent of basic pay in 2002 — also bonus, special or incentive pay may be contributed — up to the \$11,000 IRS tax limit allowed in 2002. For those serving in a combat zone, the current ceiling for contributions is \$40,000. Basic pay contribution limits increase through 2006 when TSP contributions will be limited only by IRS rules.

TSP investments may be directed to any of five different funds, which vary in risk and investment mixture. The five funds are government securities investment (G fund), fixed income investment (F fund), common stock index investment (C fund), small capitalization stock index investment (S fund), and international stock index investment (I fund). Contributions are initially directed to the G fund. Sailors can then redirect their investment once the account is active.

Sailors can transfer any amount of money into the TSP from certain qualified retirement savings plans in which they are already invested.

TSP account balances are transferable to an eligible retirement plan if a Sailor leaves the service. This option makes TSP an attractive investment whether someone serves four or 30 years.



Captain's Call Kit
Naval Media Center, Bldg. 168
2713 Mitscher Rd., SW
Anacostia Annex, DC 20373-5819
E-mail: pubs@mediacen.navy.mil
DSN 288- or (202) 433-4380
Fax: (202) 433-4747

For more information on TSP, click on
<http://www.tsp.gov>.

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